



**U.S. Department of the Interior  
Office of Inspector General**

# **AUDIT REPORT**

**RECEIPT AND EXPENDITURE OF FUNDS  
BY THE UTAH RECLAMATION MITIGATION  
AND CONSERVATION COMMISSION FOR  
FISCAL YEARS 1996 AND 1997**

**REPORT NO. 98-I-712  
SEPTEMBER 1998**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

September 30, 1998

## AUDIT REPORT

Mr. Michael C. Weland, Executive Director  
Utah Reclamation Mitigation and  
Conservation Commission  
102 West 500 South - Suite #3 15  
Salt Lake City, Utah 84 10 1

Dear Mr. Weland:

Subject: Audit Report on the Receipt and Expenditure of Funds by the Utah Reclamation Mitigation and Conservation Commission for Fiscal Years 1996 and 1997  
(No. 98-I-712)

This report presents the results of our audit of the receipt and expenditure of funds by the Utah Reclamation Mitigation and Conservation Commission. The objective of our audit was to determine whether the Commission received and expended mitigation and conservation funds in compliance with Titles II, III, and IV of the Central Utah Project Completion Act. Our audit included a review of Commission receipt and expenditure activities that occurred during fiscal years 1996 and 1997. We performed the audit based on a July 3, 1997, request from the Executive Director of the Commission and as a followup to our August 1996 report.'

## BACKGROUND

The Reclamation Projects Authorization and Adjustment Act of 1992 (Public Law 102-575) consisted of 40 separate titles covering a wide variety of Bureau of Reclamation projects and activities. Titles II through VI of the Act, known as the Central Utah Project Completion Act, provided for the orderly completion of the Project by the Central Utah Water Conservancy District, with oversight provided by the Department of the Interior's Central Utah Project Completion Act Office. The Act also increased the Project's appropriations ceiling; provided for the construction of facilities to deliver water for irrigation, municipal and industrial use, and instream flows to specified areas within the Project service area; and authorized fish, wildlife, and recreation mitigation and conservation activities.

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'The Office of Inspector General survey report "Utah Reclamation Mitigation and Conservation Commission" (No. 96-I- 11 14) stated that the Commission had not established adequate financial and administrative policies and procedures and that its accounting records were not auditable (see the Prior Audit Coverage section of this report). Title IV, Section 402(e), of the Central Utah Project Completion Act also requires the Office of Inspector General to audit the Commission's financial management of the Utah Reclamation Mitigation and Conservation Account.

Title III of the Act authorized the Utah Reclamation Mitigation and Conservation Commission to coordinate implementation of fish, wildlife, and recreation mitigation and conservation activities among Federal, State of Utah, and local government resource management agencies, universities, and nonprofit environmental organizations. The Commission, which was established in 1994, is responsible for planning and administering Federal mitigation and conservation funding authorizations.<sup>2</sup> Mitigation and conservation appropriations are received through the Central Utah Project Completion Act Office and deposited into the Utah Reclamation Mitigation and Conservation Account. The Act authorizes the Commission to use up to \$1 million annually to fund its administrative expenses.<sup>3</sup>

Title IV of the Act established the Utah Reclamation Mitigation and Conservation Account in the U.S. Treasury. Annual contributions into the Account are obtained from the Department of the Interior (\$5 million), the Department of Energy's Western Area Power Administration (\$5 million), the State of Utah (\$3 million), and the Central Utah Water Conservancy District (\$750,000).<sup>4</sup> The Act requires contributions from the Department of the Interior and the State to be deposited as principal into the Account.<sup>5</sup> While the contributions from the District and the Department of Energy are available to the Commission for expenditures in accordance with the Act, including administrative expenses of the Commission, the Commission may elect to deposit unexpended contributions into the Account as principal. According to the Act, "[A]ll funds deposited as principal in the Account shall earn interest in the amount determined by the Secretary of the Treasury on the basis of the current average market yield on outstanding marketable obligations of the United States of comparable maturities." Once the Title II and Title III project authorizations (\$173 million in total) are fully appropriated, the Commission will operate on future Department of Energy contributions and on the interest earned on the principal invested in the Account.

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<sup>2</sup>The funding consists of a \$28 million authorization applicable to the Title II mitigation activities that were previously committed to by the Bureau of Reclamation and a \$145 million authorization applicable to the Title III mitigation activities.

<sup>3</sup>Sections 301(I)(2) and 402 (b)(3)(C) of the Act limit the Commission's administrative expenses to \$1 million annually and require the amount to be indexed proportionally each year based on the increase in the Consumer Price Index for urban consumers, published by the Department of Labor. The Commission's administrative expenses were limited to \$1.056 million for fiscal year 1996 and \$1.086 million for fiscal year 1997.

<sup>4</sup>Department of the Interior, State of Utah, and Central Utah Water Conservancy District contributions are to be made through fiscal year 2001. While the contributions from the Department of Energy will continue into perpetuity to provide a funding source for the Commission and its successor, the Utah Division of Wildlife Resources. In addition, the contributions from the District and the Department of Energy are to be indexed proportionately each year based on the increase in the Consumer Price Index for urban consumers, as published by the Department of Labor.

<sup>5</sup>The Account principal provides a source of income to manage and maintain the investments in fish and wildlife and recreation features of the projects performed in accordance with the Act. Funds deposited into the Account as principal may not be withdrawn or expended for any purpose by the Commission.

The Commission develops and selects mitigation and conservation projects pursuant to the requirements in Titles II and III of the Act and as adopted in the Commission's 5-year plan.<sup>6</sup> Under the Commission's current 5-year plan, projects are designed to address ecosystem impacts in five Utah watersheds, such as dewatered streams and losses of bird and riparian habitat, fish and wildlife habitat, angling opportunities, and wetlands. The Commission enters into various agreements, such as interagency agreements and cooperative agreements, with entities to perform the mitigation and conservation projects specified in the Act and as outlined in the Commission's 5-year plan. As of September 30, 1997, the Commission administered 55 active agreements, totaling about \$32 million, with 13 cooperators. The largest cooperative agreements, which accounted for about \$3.1 million, are with the Central Utah Water Conservancy District, the Bureau of Reclamation, the Department of Agriculture's U.S. Forest Service, and the State of Utah's Division of Wildlife Resources. During fiscal years 1996 and 1997, the Commission received Federal appropriations and contributions totaling about \$58.5 million, obligated and expended about \$2 million for Commission administration, awarded about \$20.6 million for mitigation and conservation projects, and invested about \$28.3 million (Appendix 2). The remaining \$7.6 million was unobligated at the time of our review.

## SCOPE OF AUDIT

Our fieldwork was conducted at the Commission's office in Salt Lake City, Utah, from November 1997 through April 1998. To accomplish our objective, we reviewed the Central Utah Project Completion Act and related legislative history and legal documents; the Commission's 5-year plan; and receipts of appropriations and contributions, financial reports and supporting accounting records, and administrative and cooperative agreement expenditures for fiscal years 1996 and 1997.<sup>7</sup> In addition, we visited the Kamas fish hatchery project and lands acquired by the Commission for the Provo River restoration project. We also interviewed officials from the Commission; the Bureau of Reclamation's Upper Colorado Region and the Office of the Solicitor's Intermountain Region in Salt Lake City; and the U.S. Department of the Treasury in Washington, D.C. The purpose of the interviews was to obtain clarification of the Act and an understanding of the Commission's mitigation and conservation program, accounting system and financial reports, investments of Title IV contributions, and deposits at the Treasury.

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<sup>6</sup>The Act required the Commission to adopt a comprehensive 5-year operating plan through a prescribed public planning process and consultation with Federal and state agencies. According to the Act, the plan was to consist of the specific objectives and measures that the Commission intended to administer, and only those projects included in the plan could be implemented. The initial 5-year plan was adopted in May 1996 and is updated annually with a comprehensive review of projects and priorities every 5 years.

<sup>7</sup>We reviewed expenditures related to Commission administration and six cooperative agreements, which consisted of two agreements with the District and one agreement each with the Bureau of Reclamation; the U.S. Forest Service; the State of Utah's Division of Wildlife Resources; and the University of Nevada at Reno, Nevada.

Our audit was made in accordance with the “Government Auditing Standards,” issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary to accomplish our objective. We also evaluated the Commission’s system of internal controls related to the receipt of appropriations and contributions and the expenditure of administrative and mitigation and conservation project funds. We identified an internal control weakness pertaining to the Commission’s administration of certain cooperative agreements with the Central Utah Water Conservancy District. We also found that the Commission had not submitted the annual reports required under the Act. These weaknesses and recommended corrective actions are discussed in the Results of Audit section of this report. The recommendations, if implemented, should improve the internal controls in these areas. We also noted minor issues related to accounting and financial reporting that will be reported to the Commission in a separate letter.

## **PRIOR AUDIT COVERAGE**

The General Accounting Office has not conducted any audits of the Commission. However, in August 1996, the Office of Inspector General issued the report “Utah Reclamation Mitigation and Conservation Commission” (No. 96-I-1114), which concluded that the Commission had not established adequate financial and administrative policies and procedures and that the Commission’s accounting records of the receipt and expenditure of funds for fiscal years 1994 and 1995 were not auditable. As a result, we could not determine whether the Commission’s funds were expended in accordance with the Act. The report did not contain any recommendations because the Commission was taking corrective actions to implement sound financial and administrative systems. The Commission also had contracted with a certified public accounting firm for financial management and accounting services, which included assisting the Commission in the development of fiscal accounting, budgeting, contracting, and investing procedures. Our current audit found that the accounting firm had provided financial management and accounting services and that the Commission had hired a financial officer, who has made significant improvements to the Commission’s financial management system. We also found that the Commission’s accounting records were auditable and that financial and accounting policies and procedures were being established.

## **RESULTS OF AUDIT**

We determined that the Commission received, expended, and awarded mitigation and conservation funds in compliance with Titles II, III, and IV of the Central Utah Project Completion Act. Specifically, for fiscal years 1996 and 1997, the Commission received and properly accounted for the annual contributions and appropriations, authorized and expended funds for appropriate Commission administrative activities and mitigation and conservation projects, complied with the Act’s annual limitation on administrative expenses, and properly invested contributions. However, in administering funds awarded to the Central Utah Water Conservancy District under certain cooperative agreements, the Commission did not (1) obtain copies of single audit reports or sufficient documentation on the Federal funds

expended by the District to substantiate that the funds were used for intended purposes; (2) limit cash advances to immediate disbursement needs; and (3) collect interest earned on the advance funds, as required by the Single Audit Act and the Department of the Treasury's Financial Manual. In addition, the Commission did not meet the reporting requirements of the Central Utah Project Completion Act. These conditions occurred primarily because Commission officials were not fully aware of all of the Single Audit Act requirements, received differing interpretations from Department of the Interior personnel as to the applicability of the Treasury Manual requirements, and had what they considered to be higher priorities which precluded the Commission from meeting the annual reporting requirement. As a result, the Commission did not ensure that District expenditures totaling about \$1.7 million were made in accordance with the terms and conditions of the cooperative agreements, that funds advanced to the District were limited to immediate disbursement needs, and that interest of about \$55,000 earned on excess advances was recovered. In addition, the Congress and other Federal and State officials may not be aware of the mitigation and conservation measures planned and implemented or of the effectiveness of these measures because the annual reporting requirements of the Act were not met.

## **Single Audits**

The Commission did not obtain copies of single audit reports or sufficient information to determine whether the District expended Commission funds in accordance with the terms and conditions of the cooperative agreements. The Single Audit Act of 1984, as amended, requires that recipients of Federal financial assistance in excess of \$300,000 obtain an organizationwide audit to determine whether (1) their financial statements fairly present their financial position in accordance with generally accepted accounting principles, (2) their internal control systems provide reasonable assurance that they are managing Federal financial assistance programs in accordance with applicable laws and regulations, and (3) they have complied with laws and regulations which may have a material effect on their financial statements. The audits performed under the Single Audit Act identify reportable conditions<sup>9</sup> or material weaknesses<sup>9</sup> in the cooperators' internal control structure, which are presented to the cooperators' management, along with recommendations for corrective actions.

We found that the District and the State of Utah, which included the Division of Wildlife Resources, were audited under the Single Audit Act for funds expended in fiscal years 1995 through 1997. However, the Commission's Financial Officer told us that she was not aware that the Commission should obtain copies of the audit reports as a funding agency. As a

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<sup>9</sup>“Reportable conditions are matters coming to the auditor's attention that should be communicated to agency management. These matters relate to significant deficiencies in the design or operation of the agency's internal control structure that could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

<sup>9</sup>A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions.

result of our audit, the Financial Officer obtained copies of the District's single audit reports for fiscal years 1996 and 1997 and the State of Utah's single audit reports for fiscal years 1995 and 1996.

We reviewed the single audit reports for both entities and concluded that the reports did not contain sufficient details to ensure that the funding provided by the Commission was included in the audits. Therefore, we believe that the Commission should obtain additional information on project expenditures. In that regard, we found that the Division of Wildlife Resources was providing the Commission with adequate supporting documentation for the project costs incurred but that the District was not providing such documentation. For example, the Commission's accounting records indicated that the District had acquired land valued at about \$958,000 in 1997 under a cooperative agreement, but the District had not provided any supporting documentation for the acquisition.

The Commission's Executive Director stated that the Commission did not apply the same level of accountability for one of the cooperative agreements with the District as that applied to the other agreements with the District and with other cooperators because the Central Utah Project Completion Act specifically directed the District to construct a water development project for which the Commission was required to contribute funding.<sup>10</sup> The Commission's Project Manager also stated that requiring additional documentation for District costs would result in duplicate record keeping by the Commission and the District. However, we believe that since the Commission had entered into a cooperative agreement with the District, the Commission should ensure that District costs are properly accounted for. For example, we found that the other cooperators we reviewed had provided the Commission with supporting documentation, such as computer printouts of project costs and copies of invoices and payroll records. This supporting documentation was sufficient for the Commission's Financial Officer and project coordinators to approve and process the cooperators' reimbursement requests. Accordingly, we believe that the Commission has not obtained sufficient supporting documentation to ensure that District costs totaling about \$1.7 million' as of December 31, 1997, were in accordance with the terms and conditions of the cooperative agreements.

## **Advances of Funds**

The Commission did not ensure that the funds advanced to the District under cooperative agreements were used in a timely manner. Volume 1, Part 6, Section 2025, of the Department of the Treasury Financial Manual, applicable to all Federal agencies, requires that advances to a recipient organization be limited to the minimum amounts necessary for immediate disbursement needs and that the timing of the cash advance be as close as administratively feasible to the actual disbursement by the recipient organization. However, the Commission's

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"Section 303(b)(4) of the Act requires the Commission to provide \$10.5 million to the District for the construction of the Daniels Creek Replacement Pipeline (\$10 million) and for the leasing of water (\$.5 million) as a part of the Wasatch County Water Efficiency Project.

"The District claimed total project costs of \$1.9 million as of December 31, 1997. The District's single audit report for the fiscal year ended June 30, 1997, identified Commission project costs of about \$.2 million.

cooperative agreements with the District do not require that advances be limited to immediate needs, including one agreement which states that the Commission will advance all appropriated funds within 30 days of the Federal appropriation. The Commission's Executive Director stated that funds were paid to the District because the Central Utah Project Completion Act required the Commission to contribute funds for the construction of a water development project. However, we noted that neither the Act nor the applicable appropriation acts provided for advance payment of project funds. As of December 31, 1997, the Commission had advanced about \$5.5 million to the District, of which the District had reported expenditures of only about \$1.9 million. Accordingly, at the time of our audit, the Commission had advanced about \$3.6 million more than would have been required to reimburse the District for work performed under the cooperative agreements.

## **Collection of Interest**

The Commission did not collect the interest earned on the funds advanced to the District. Volume 1, Part 6, Section 2075.3 Oa, of the Treasury Manual requires that any interest earned by a recipient organization on Federal funds be promptly refunded to the Federal program agency. Section 2075.30b of the Treasury Manual also requires that the Federal program agency deposit the interest earned into a Treasury receipt account. The Commission's cooperative agreements with the District require that the District provide quarterly reports on the interest earned on funds advanced and supporting bank statements. However, the District had not provided the Commission with adequate documentation on the interest earned or the supporting bank statements. Contrary to Treasury requirements, the cooperative agreements also indicated that the interest earned on the advances would be considered supplemental funds of the District to be used for the performance of work under the terms and conditions of the agreement. Commission officials told us that they had not collected the interest earned because they had received differing interpretations from Bureau personnel as to the applicability of the Treasury Manual requirements to the Central Utah Project Completion Act. Accordingly, the Commission was not certain whether the interest earned was to be used for project purposes, retained by the Commission, or returned to the Treasury. As a result of our audit, the Commission's Financial Officer obtained bank statements and supporting documentation from the District through December 31, 1997, which showed that the Commission should have recovered interest totaling about \$55,000 earned on the advances, which according to Treasury Manual requirements, should be remitted to the Treasury.

## **Annual Reporting Requirements**

The Commission did not complete or submit the annual reports required by the Central Utah Project Completion Act. Section 301(g)(6) of the Act requires the Commission to submit annual reports to the Secretary of the Interior, the Governor of the State of Utah, the Senate Committee on Energy and Natural Resources, and the House of Representatives Committees on Interior and Insular Affairs and on Merchant Marine and Fisheries. The reports are to describe actions taken and to be taken by the Commission, the effectiveness of the mitigation and conservation measures implemented to date, and potential revisions or modifications to



the applicable mitigation and conservation plan. The reports were due on December 1 for 1995, 1996, and 1997. The Commission's Executive Director told us that the reports had not been submitted because of other higher priorities of the Commission, which included the Commission's involvement in preparing the 5-year plan, implementing financial and administrative policies and procedures, and meeting financial reporting requirements. The Executive Director also stated that much of the information required for the annual reports had been included in the Commission's 5-year plan and quarterly financial reports. A "draft" cumulative report through September 30, 1997, was prepared by the Commission's Public Information Officer but had not been approved by the Executive Director or the Commissioners at the completion of our audit. As a result, the Congress, the Secretary of the Interior, and the Governor of Utah may not be fully aware of the mitigation and conservation measures that are planned or that have been performed by the Commission and the effectiveness of such measures.

## **Recommendations**

We recommend that the Commission's Executive Director:

1. Obtain annual single audit reports from those cooperators which receive Federal financial assistance of more than \$300,000 per year to substantiate that the costs were incurred for mitigation and conservation project purposes and to identify reportable conditions or material weaknesses. If the reports do not contain sufficient details to determine whether the funds provided by the Commission were included in the audit, the Commission should require the cooperators to provide supplemental supporting documentation of project costs.
2. Request additional supporting documentation from the Central Utah Water Conservancy District to substantiate that costs of \$1.7 million were incurred by the District in accordance with the terms and conditions of the cooperative agreements.
3. Amend cooperative agreements with the District to limit the advances of funds and the timing of the advances to the District's immediate funding needs.
4. Ensure that the District provides quarterly interest earnings reports and supporting bank statements in a timely manner.
5. Amend cooperative agreements with the District to require that the interest earned on cash advances be remitted to the Commission for deposit in the Treasury.
6. Recover the \$55,000 of interest earned on funds advanced to the District and remit it to the Treasury.
7. Complete and submit the required annual reports to the Congress and other Federal and State officials.

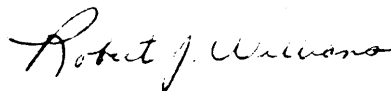
## **Utah Reclamation Mitigation and Conservation Commission Response and Office of Inspector General Reply**

In the September 25, 1998, response (Appendix 3) to the draft report from the Executive Director, Utah Reclamation Mitigation and Conservation Commission, the Commission agreed with all of the recommendations. Based on the response, we consider the seven recommendations resolved but not implemented. Accordingly, the unimplemented recommendations will be referred to the Assistant Secretary for Policy Management and Budget for tracking implementation, and no further response to the Office of Inspector General is required (see Appendix 4).

The legislation, as amended, creating the Office of Inspector General, requires semiannual reporting to the Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the assistance of Commission personnel in the conduct of our audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert J. Williams".

Robert J. Williams  
Assistant Inspector General  
for Audits

cc: Commissioners, Utah Reclamation Mitigation and  
Conservation Commission  
Program Director, Central Utah Project Completion Act Office

**CLASSIFICATION OF MONETARY AMOUNTS**

<u>Finding Area</u>	<u>Funds To Be Put To Better Use</u>
Collection of Interest	\$55,000

**SOURCES AND USES OF UTAH RECLAMATION  
MITIGATION AND CONSERVATION COMMISSION FUNDS  
FOR FISCAL YEARS 1996 AND 1997**

Sources:	Amounts	
Federal Appropriations:		
Title II Projects	\$4,832,000	
Title III Projects	<u>25,371,000</u>	\$30,203,000
Annual Contributions (Title IV):		
U. S. Department of Interior	1 0,000,000	
U.S. Department of Energy*	10,715,000	
State of Utah	6,000,000	
Central Utah Water Conserv. District*	<u>1,606,700</u>	<u>28,321,700</u>
Total		<u><u>\$58,524,700</u></u>
Uses:		
Commission Administrative: *		
Expenditures	2,004,204	
Unobligated	<u>137,896</u>	2,142,100
Mitigation and Conservation Projects:		
Expenditures and Obligations	20,615,081	
Unobligated	<u>7,445,819</u>	28,060,900
Investment		<u>28,321,700</u>
Total		<u><u>\$58,524,700</u></u>

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\*Sections 402(b)(3)(C) and 301(I)(2) of Public Law 102-275 state that the annual contributions and Commission administration expenses "shall be increased proportionally on March 1 of each year by the same percentage increase during the previous calendar year in the Consumer Price Index for urban consumers. published by the Department of Labor."

UTAH RECLAMATION  
**MITIGATION  
AND CONSERVATION  
COMMISSION**

102 West 500 South #315, Salt Lake City, Utah 84 101  
Phone 801 524-3146 . Fax 801 524-3148

APPENDIX 3  
Page 1 of 4  
**COMMISSIONERS**  
Don A. Christiansen, Chairman  
Jody Williams, Vice Chair  
Bob Nelson  
Bob Valentine  
Wayne Owens

September 25, 1998

Mr. Robert Williams  
Assistant Inspector of Audits  
U.S. Department of the Interior  
**Office** of the Inspector General  
1849 C Street, NW MS 5341  
Washington, DC 20240

Subject: **Draft** Audit Report on the Receipt and Expenditure of Funds by the Utah  
Reclamation Mitigation and Conservation Commission for Fiscal Years 1996 and  
1997 (Assignment No. W-IN-OSS-00 1-98-M)

Dear Mr. Williams:

The Utah Reclamation Mitigation and Conservation Commission greatly appreciates the time and effort of your **office** in completing subject audit report. As a new agency established in July 1994 with unique statutory authorities, we had requested this audit to ensure that the financial management system we are developing will consistently provide an accurate and timely account of public funds. This report **confirms** that we have been successful in accomplishing that objective, and the **findings** and recommendations for improvements contained within it provide the guidance we had requested.

We appreciate the opportunity to respond, and we offer the following comments in response to the recommendations. Additional comments on the text of the report are also attached.

**Recommendation 1**

Obtain annual single audit reports **from** those cooperators who receive Federal financial assistance of more than \$300,000 per year to substantiate that the costs were incurred for mitigation and conservation project purposes and to identify reportable conditions or material weaknesses. If the reports do not contain **sufficient** details to determine whether the funds provided by the Commission were included in the audit, the Commission should require the cooperators to provide supplemental supporting documentation of project costs.

**Response**

Concur. The Commission will obtain annual single audit reports from all cooperators who receive Federal assistance of more than \$300,000 per year and will ensure that sufficient documentation is included in each single audit report. The anticipated date for compliance is December 31, 1998.

Recommendation 2

Request additional supporting documentation **from** the Central Utah Water Conservancy District to substantiate that costs of \$1.7 million were incurred by the District in accordance with the terms and conditions of the cooperative agreements.

**Response**

Concur. The Commission will request additional supporting documentation from the Central Utah Water Conservancy District to substantiate approximately **\$400,00** of costs incurred under existing agreements, with the exception of the **WCWEP/DRP** project agreement for which such reporting would not be required under the proper form of agreement [See Response to Recommendation 3 below]. The anticipated date for compliance is December 31, 1998.

Recommendation 3

Amend cooperative agreements with the District to limit the advances of **funds** and the timing of the advances to the District's immediate funding needs.

**Response**

Concur. The Commission will amend cooperative agreements with the District to limit advances for **funds** and the timing of the advances to the District's immediate funding needs. In addition, the Commission's legal counsel has advised that, due to the unique contracting requirements in CUPCA, the Commission should re-execute the **WCWEP/DRP** project agreement using a different form of agreement rather than the Cooperative Agreement form, which contains several requirements specific to that form of agreement that were not applicable to the **WCWEP/DRP** project agreement. **The** intent and nature of the agreement among the District, the Department, and the Commission regarding the Commission's responsibilities under CUPCA for contributing to the **WCWEP/DRP** project were therefore not accurately described by the Cooperative Agreement form. The Cooperative Agreement form will be replaced with a new agreement that will be written and re-executed to more clearly provide that the payment of **funds from** the Commission to the District are payments for consideration received and not advances for work yet to be performed, and thus all interest earned on such payments accrues to the District and not to the Commission. This will eliminate the impression created by the Cooperative Agreement form that the Commission's involvement in the District's **WCWEP/DRP water development project** is the same as the Commission's relationship and responsibilities under other agreements with the District and other cooperators for implementation of *mitigation projects*. *The* anticipated date for compliance is December 31, 1998.

Recommendation 4

Ensure that the District provides quarterly interest earnings reports and supporting bank statements in a timely manner.

**Response**

Concur. The Commission will ensure that the District provides quarterly interest earnings reports and supporting bank statements in a timely manner. The anticipated date for compliance is December 31, 1998.

**Recommendation 5**

Amend cooperative agreements with the District to require that the interest earned on cash advances be remitted to the Commission for deposit in the Treasury.

**Response**

Concur. The Commission will amend cooperative agreements with the District to require that the interest earned on cash advances be remitted to the Commission for deposit in the Treasury. The anticipated date for compliance is December 31, 1998.

**Recommendation 6**

Recover the \$55,000 of interest earned on funds advanced to the District and remit it to the Treasury.

**Response**

Concur. The Commission will recover the interest earned on funds properly advanced to the District and remit that amount to the Treasury. Note: Approximately \$41,000 of the interest earned on funds advanced to the District was attributable to the Commission's mistaken use of the Cooperative Agreement form to transfer the Commission's mandated contribution to the WCWEP/DRP project. As noted in No. 3 above, the Cooperative Agreement form contained incorrect terms with respect to the nature of the payments and interest. The replacement agreement will provide that interest earned on the payments previously paid and yet to be paid to the District belong to the District. The anticipated date for compliance is December 31, 1998.

**Recommendation 7**

Complete and submit the required annual reports to the Congress and other Federal and State officials.

**Response**

Concur. The Commission will complete and submit the required Fiscal Year 1998 annual report to Congress and other Federal and State officials. Note: The Fiscal Year 1998 annual report will include information from the inception of the Commission in Fiscal Year 1994 through the end of Fiscal Year 1998. The anticipated date for compliance is December 1, 1998.

Thank you again for your efforts. As Executive Director of the agency, I will be the official responsible for compliance with the commitments made in response to these recommendations.

If you have any questions or require additional information, please contact me or **Channa Vyfvinkel**, Financial Officer, at (801) 524-3 146.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael C. Weland". The signature is fluid and cursive, with a large loop at the end.

Michael C. Weland  
Executive Director

Attachment

cc: Commissioners  
Don Christiansen, Chairman  
Jody Williams, Vice Chair  
Bob Valentine  
Wayne Owens



## STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding Recommendation Reference	Status	Action Required
1, 2, 3, 4, 5, 6, and 7	Resolved; not implemented	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

**ILLEGAL OR WASTEFUL ACTIVITIES  
SHOULD BE REPORTED TO  
THE OFFICE OF INSPECTOR GENERAL BY:**

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Sending written documents to:

Calling:

**Within the Continental United States**

U.S. Department of the Interior  
Office of Inspector General  
1849 C Street, N.W.  
Mail Stop 5341  
Washington, D. C . 20240

Our 24-hour  
Telephone HOTLINE  
1-800-424-508 1 or  
(202) 208-5300

TDD for hearing impaired  
(202) 208-2420 or  
1-800-354-0996

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**Caribbean Region**

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4040 Fairfax Drive  
Suite 303  
Arlington, Virginia 22201

(703) 235-9221

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**Office** of Inspector General  
North Pacific Region  
415 chalan San Antonio  
Baltej Pavilion, Suite 306  
Tamuning, Guam 96911

(67 1) 647-605 1

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